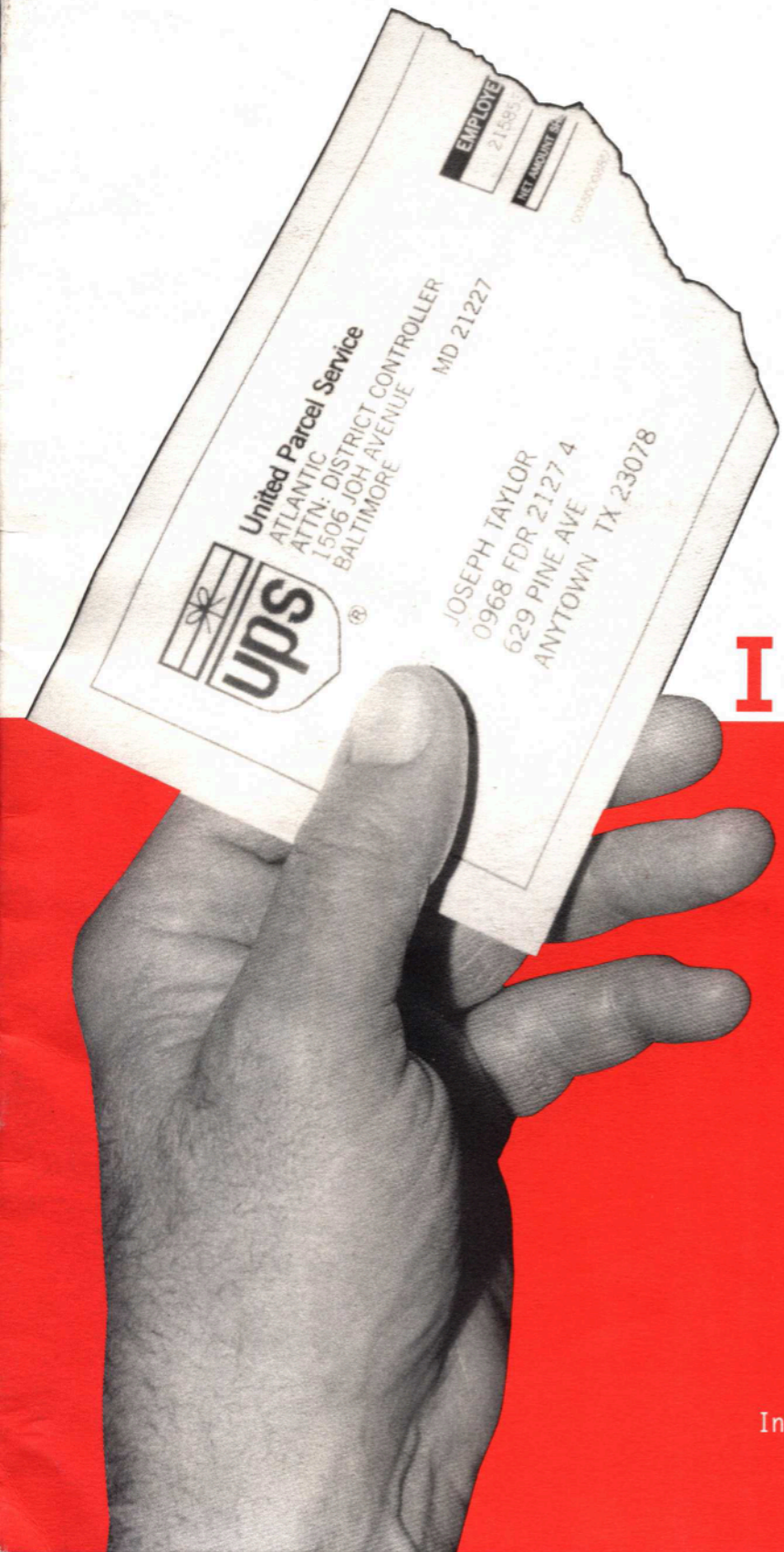

Half A Job Is Not Enough

How the Shift to More Part-Time Employment Undermines Good Jobs at UPS

A special report by the
International Brotherhood of Teamsters
Research Department

June, 1997

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Report Highlights

One of the most important changes in the U.S. economy in recent years has been the shift by many corporations to what they consider to be more "throwaway" jobs -- part-time, temporary, or "independent contractor" positions with low pay rates and few pension and health benefits.

This shift drags down living standards for our communities, destroys job opportunities for our young people, and undermines worker buying power needed to support jobs and public services in local economies.

More than 20 million Americans now work part-time. Many need but cannot find full-time work with a living wage and secure benefits.

Perhaps the leading example of the shift to low-wage, part-time jobs is United Parcel Service, where the largest labor negotiations in the U.S. are taking place this year.

Key findings in this report by the Teamsters Research Department include the following:

- **The use of part-time jobs at UPS is more than three times greater than the national average.** While part-timers represent about 18 percent of the U.S. work force, at UPS they have grown from 42 percent in 1986 to 54 percent in 1993 to more than 60 percent today.

- **Nearly all the growth at UPS is in part-time jobs.** 83 percent of the new jobs created at UPS since 1993 are part-time. Since the last Teamster-UPS contract was negotiated in 1993, part-time employment at UPS has grown 43 percent while full-time jobs have increased only 10 percent.

- **Thousands of Teamsters at UPS are working full-time hours but being paid only part-time wage rates.** More than 10,000 UPS employees work more than 35 hours per week but receive lower, part-time pay rates.

- **UPS part-time pay rates lag far behind full-time wages.** Entry level part-time pay at UPS is $8 per hour. This rate has not changed since 1982. During the same time period, the cost of living has increased every year, and full-time rates for a typical UPS worker have increased from $13.46 to $19.95. A typical part-timer can progress to $10 per hour after four years, but few stay with UPS that long.

- **Many part-timers never qualify for benefits.** High turnover means they aren't with UPS long enough to receive those benefits. UPS's pension rules for most part-timers are structured so they don't receive a year's credit for a year's work.

- **High turnover among UPS part-timers hurts productivity.** The annual turnover rate in part-time jobs at UPS is more than 400 percent. In 1996, UPS recruited and hired 182,000 part-time workers, but only about 40,000 of these workers were still with the company at the end of the year. This has had a direct impact on part-time productivity. In central sorting facilities productivity is down 32 percent since 1993.

- **Part-time workers at UPS want full-time jobs.** In a Teamster survey, 90 percent of part-timers at UPS ranked the creation of more full-time jobs with full-time pay as a top bargaining priority. A Cornell University research survey of former UPS part-timers shows that lack of opportunities for full-time jobs is the main reason for leaving the company.

- **UPS's highly publicized "welfare-to-work" efforts are self-serving.** Because of low wages and benefits and poor working conditions, the company fails to retain most of the new workers it recruits. Its real interest in "welfare-to-work" programs is to receive proposed subsidies or tax breaks to hire workers it would hire anyway.

UPS Can Afford To Provide Good Full-Time Jobs

UPS makes more than $1 billion in profits each year. The company can afford to create thousands of good full-time jobs by agreeing to steps like the following:

- Convert part-time workers who already are working more than 35 hours per week to full-time status with full-time pay rates and full-time benefits.

- Create more full-time jobs in large sorting facilities and combine many existing part-time jobs to create new full-time opportunities.

- Stop subcontracting work, since doing more work in-house will create more full-time job opportunities.

- Increase pay rates, benefits, and job opportunities for part-timers in order to reduce turnover and increase productivity.

- Improve job safety and health protections to reduce turnover, including new equipment and procedures for the safe handling of heavy packages.

Adopting proposals such as these at a corporate powerhouse like UPS would mean a better future not just for UPS workers but for all working families.

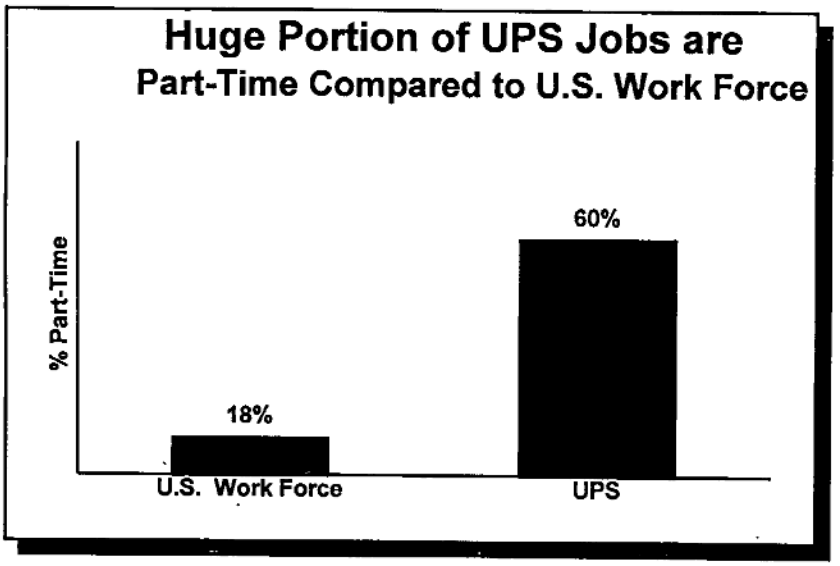
UPS is one of the nation's most powerful and profitable corporations. It is also one of the biggest employers of part-time workers in the U.S. The Teamsters union and UPS are currently involved in the largest labor negotiations taking place in 1997. The issue of low-wage part-time jobs is one of the key issues in the talks.

UPS workers want more opportunities for part-timers to move into full-time jobs, and better pay for part-time workers. As a corporation that makes more than $1 billion profit per year, UPS can afford to do a better job of providing full-time job opportunities with full-time wages and benefits.

Most UPS Jobs are Part-Time Jobs

Sixty percent of the Teamster-represented workers at UPS are part-time workers. At the end of 1996, the Teamsters represented 214,000 workers at UPS. Just over 128,000 of these workers were in part-time jobs.[2]

How does the portion of part-timers at UPS compare with other employers? Statistics from the Bureau of Labor Statistics (BLS) show that about 18 percent of the nonagricultural workforce was part-time in 1996.[3] Eighty-two percent of those at work in the U.S. work full-time. More than four million part-time workers would like to have full-time jobs, but are unable to find an employer that will offer them full-time employment. Research by the Teamsters and others shows that UPS part-timers would like to have full-time job opportunities as shown below.

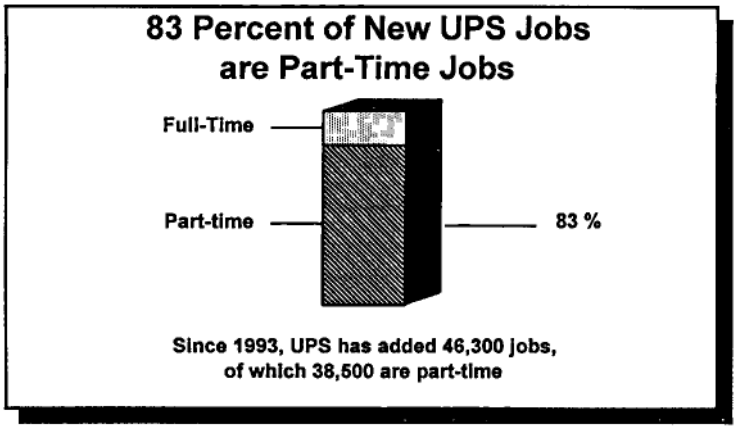


[2] Unless otherwise cited, statistics on UPS employment are based on company documents provided by UPS to the Teamsters.

[3] Unless otherwise cited, statistics from the BLS are found in various issues of their monthly publication *Employment and Earnings.*

A Massive Shift to Part-Time Work

UPS began to use part-time employees in the early 1960s. After the starting pay was frozen at $8.00 per hour in 1982, the shift to more part-time work began to increase dramatically. By 1986, approximately 42 percent of Teamster-represented workers at UPS were part-timers. By 1993, it rose to 54 percent.[4]


83 Percent of New UPS Jobs are Part-Time Jobs
Full-Time
Part-time
83 %
Since 1993, UPS has added 46,300 jobs, of which 38,500 are part-time

The last Teamster-UPS contract was negotiated in 1993. Since then, the part-time work force at UPS has grown by 43 percent, while the number of full-time jobs has grown by only 10 percent. UPS has hired an additional 46,300 workers, but more than 38,500 of them have been placed in part-time jobs. Therefore, 83 percent of the new jobs at UPS have been part-time jobs.

Of course, one would expect part-time employment to grow, as the company expands. However, the shift to part-time jobs is way out of proportion when compared with overall growth in the company. Since 1993, the volume of packages handled by UPS grew by eight percent. Total company revenues grew by 26 percent. But part-time jobs grew by 43 percent, much more rapidly than the company as a whole.[5]

The explosive shift to more part-time jobs at UPS also runs opposite recent trends in the overall economy. While part-time employment in the U.S. grew rapidly in the 1970s and 1980s, since the early 1990s this trend has slowed. From 1993 to 1996, the part-time workforce in the U.S. grew by 2.6 percent.

Thousands of Teamsters at UPS Work Full-Time Hours at Part-Time Pay Rates

UPS is taking advantage of the lower pay-scale for part-time workers by assigning many to full-time work, even while they remain classified as part-time workers and

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[4] The 42 percent figure is an estimate based on Teamster membership records. UPS has not provided data on part-time employment before 1993.

[5] Data on company finances and operations is from UPS filings with the Securities and Exchange commission and documents provided by the company.

receive part-time wage rates. More than 10,000 UPS "part-time" workers work more than 35 hours per week.

When calculating the number of part-time workers in the U.S. labor force, the Bureau of Labor Statistics classifies anyone who works more than 35 hours in a week as full-time. Yet, UPS is able to work 10,000 people more than 35 hours per week, but still only pay them part-time wages with part-time benefits.

The high turnover at UPS means that many part-timers aren't with UPS long enough to ever receive any benefits. UPS's pension rules for most part-timers are structured so they don't receive a year's credit for a year's work. The average part-timer under the management-controlled UPS plan has to work 18 months for every 12 months of pension credit.

UPS Part-Time Workers Want Full-Time Jobs

It is often argued that part-time jobs are good for the economy and good for workers. It is true that many people seek part-time work because it offers them flexibility. For example, students or others who are not fully committed to the labor force may not want to work full-time. Other workers may ask their employers to let them share jobs, go on flex-time, or work part-time, so that they can devote more time to family matters. Many employers are finding that to keep workers in high-skill, high-paying jobs, they must offer flexibility and allow some workers to work part-time.

However, many workers who work part-time jobs do not do so by choice, but because they cannot find full-time job opportunities. This is reflected in the BLS figures on involuntary part-time workers cited above.

Most UPS part-time workers are not satisfied with their part-time employment. Most want UPS to create more full-time jobs.

- In a survey conducted by the Teamsters in 1996, 90 percent of part-timers at UPS ranked the creation of full-time jobs for current part-timers as first or second in a list of bargaining priorities.

- Dr. Kate Bronfenbrenner of Cornell University has just completed a study of former UPS part-time workers. It verifies that part-time UPS employees are not

satisfied with opportunities for promotion and full-time jobs. More than three-fourths were less than "satisfied" with the opportunities afforded them.[6]

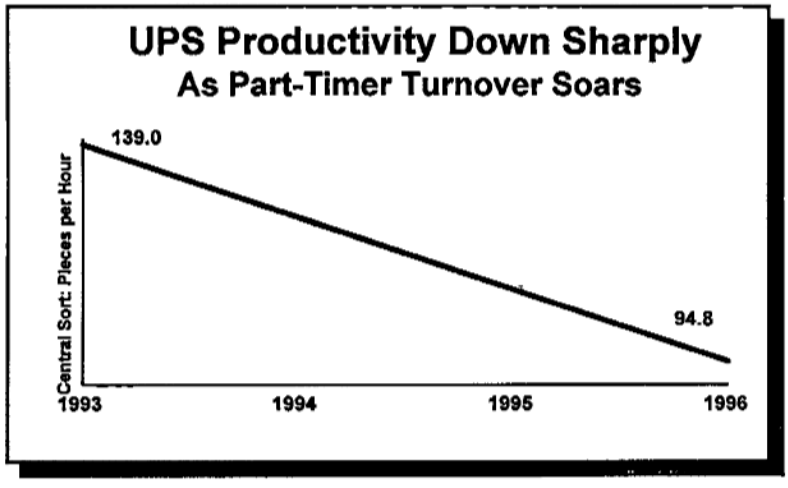
- The Cornell study reveals that the most common reason for workers leaving UPS is the lack of full-time job opportunities.

- Only one in four respondents to the Cornell study reported being satisfied with their opportunities for advancement into full-time employment.

Low Tenure and High Turnover Among Part-Timers Hurts UPS Productivity

Employers sometimes argue that they need the flexibility to hire part-time workers. However, what they gain in flexibility, they may lose in lower productivity. This certainly seems to be the case at UPS.

Job tenure at UPS among part-timers is very low. More than 54 percent of part-timers at UPS have less than two years seniority, and nearly 70 percent have worked less than three years. On the other hand, 67 percent of full-timers have more than 10 years seniority.



These figures are similar to data for the overall economy. A study by James Rebitzer (of MIT) and Lowell Taylor (of Carnegie-Mellon) reports that the average full-time worker in the U.S. has held the same job for seven years, while the average part-time worker's tenure is only 3.4 years.[7]

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[6] Kate Bronfenbrenner, *Worker Turnover and Part-Time Employment at UPS*. Forthcoming.

[7] Unpublished study cited in Chris Tilly, *Short hours, Short Shrift: The Causes and Consequences of Part-Time Work*. 1990. Washington, D.C.: Economic Policy Institute.

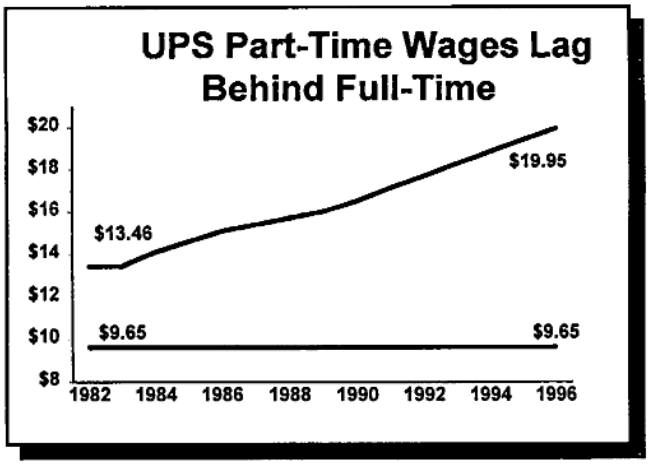
Job turnover at UPS is very high among part-time workers. For example, in 1996, UPS recruited and hired 182,000 workers for its part-time jobs. Only about 40,000 of these workers were still with the company at the end of the year. That means the annual turnover rate for part-time jobs at UPS is well over 400 percent.

Why should UPS care about these low tenure and high turnover rates? Because these factors lead to low productivity. Part-time status is linked to less time on the job and higher quit rates. Less time on the job means less time to learn how to do the job properly. Higher turnover means bigger recruitment, hiring, and training costs. Employees who see little opportunity for advancement will be less loyal to the company.

UPS figures on productivity demonstrate a link between the continuing shift to part-time employment and declining productivity. From 1993 to 1996, while 83 percent of the jobs created by UPS were part-time, productivity declined markedly. For example, in central sorting facilities (where the bulk of new part-time jobs were created) the number of pieces sorted per hour declined from 139 to 95, a drop of nearly 32 percent. Similar drops took place in other productivity measures. It is therefore highly questionable whether UPS management is making wise decisions regarding the creation of part-time jobs and the denial of full-time opportunities.

UPS Part-Time Jobs are Low-Wage Jobs

Bureau of Labor Statistics data show that average employer costs for wages and salaries for part-time workers in private industry are $7.38 per hour. This compares with $14.16 per hour for full-time workers.[8] So, part-timers make about 52 percent what full-time employees make on an hourly basis. (Of course their incomes are even lower, since they are working fewer hours.)



UPS part-timers experience similarly low pay. The entry-level wage for most part-time workers at UPS is $8.00 per hour. That rate has remained unchanged since 1982, even as inflation has increased. During the

[8] Bureau of Labor Statistics, *Employer Costs for Employee Compensation - March 1996*. News Release, October 10, 1996.

same period, the typical full-time wage has increased from $13.46 to $19.95. After four years, part-timers can progress to $10 per hour, but as we have shown, most do not make it that long. The estimated average wage for part-timers is $9.65.

As Professor Chris Tilly of the University of Massachusetts at Lowell has pointed out, low-wage part-time jobs can set off a vicious cycle, hurting productivity.[9] Companies that pay low wages and hire part-time workers suffer from declining productivity. This means that to maintain profit margins, they must find ways to further cut costs and hold down wages. But, lower wages make it more difficult to attract and retain workers with adequate skills, thus further eroding productivity.

Most Part-Time Workers are Stuck in Part-Time Jobs

The nature of the work has not required the shift to part-time employment at UPS. The bulk of the new part-time jobs are in major sorting hubs where the flow of work is virtually continuous around the clock. This is a change from the past, when much of the part-time work was obviously part-time in nature.

UPS began to move into time-definite delivery in 1987. Before that, part-time work was mostly limited to an early morning or evening four-hour shift. Part time workers would load and unload package cars and tractor trailers as they arrived before and after the delivery day. UPS tried to hire college students to do this work, and a part-time job at UPS was seen by many as a good way to earn some money while in school.

At the same time, those part-time workers who were not in college and were looking for permanent, full-time jobs were usually afforded that opportunity after a few years. The terminals where they worked had plenty of full-time jobs for package car drivers in comparison to the number of part-time positions.

UPS altered its system dramatically as it expanded time-definite (such as overnight or second-day) delivery after 1987. Huge air and ground hubs were opened, where thousands of part-timers work around the clock sorting packages. These massive facilities allow packages to arrive from multiple origins before being sorted and dispatched to multiple destinations--much as major passenger airlines use airport hubs.

The Teamsters estimate that 30,000, perhaps more, part-timers work at the 15 largest air and ground hubs. Very few of these workers are college students. They

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[9] Tilly, 1996, pp. 162-163.

have almost no chance of being promoted to full-time jobs. Increasingly they are recruited from the inner cities, where a large pool of unemployed workers remains. Many are single parents looking for a way out of poverty. However, once they start at UPS they quickly find out that the work is physically exhausting (and at times dangerous) and that the company does not necessarily guarantee enough hours for survival on the meager part-time pay.

The move to time-definite delivery has also led to an increase in part-time work at the end-of-line facilities. There, part-timers are increasingly used to deliver UPS's next day air and early morning packages. This work could be done by full-time workers at full-time pay.

UPS's highly publicized "welfare-to-work" efforts are self-serving.
UPS has tried to get a lot of good publicity for its "concern" about helping people that have been receiving public assistance move from "welfare-to-work." But UPS's real motive is to get proposed taxpayer subsidies to hire low-wage workers that they would hire anyway and win favorable recognition from the current federal administration.

A UPS vice president for human resources, Joseph Schneider, admitted this in the *New York Times*. "This is not based on getting 100 people or one million people off welfare," he said. "It's based on our need for employees."[10]

With national unemployment now below 5 percent--a 24-year low--UPS is having trouble finding and keeping the number of low wage workers it uses to handle packages.

If UPS really wanted to help people get off welfare--*and stay off it*--management should agree to create more full time jobs, increase part-timers' pay, and make all its jobs safer and less stressful.

The Negative Impact on Working Families and Communities
Those who hold low-paying part-time jobs are not the only ones hurt by UPS's use of part-time labor. The impact is much broader, affecting working families, their communities, and the economy as a whole.

- The lower wages earned by part-timers are associated with increased poverty. A 1990 study by the Economic Policy Institute (EPI) found that one in six part-

[10] *New York Times*, February 13, 1997.

time workers had incomes below the poverty level, compared with one in 37 in year-round full-time workers.[11]

- Low-paying part-time jobs drag down the wages of full-time workers in related jobs. Thus, part-time work can undermine the living standards of large sectors of the economy and entire communities.

- Involuntary part-time work represents a hidden form of unemployment. A worker employed only 20 hours a week who wants to work 40 is, in a sense, only half employed. Thus, the 4.1 million U.S. workers who are employed part-time but would like full-time work are equivalent to more than two million unemployed workers.

- Part-time low-wage work hits women, teens, and minorities especially hard. The EPI study found that they were about 1.2 times as likely to work part-time involuntarily as the average worker. African-Americans and teens were about twice as likely to hold involuntary part-time jobs.

- Much of the well-documented rise in inequality in the U.S. may be due to part-time work. EPI's study attributed 42 percent of the growth in income inequality between 1978 and 1984 to growing part-time work and a widening earnings gap between part-time and full-time workers.

- As the discussion of productivity above shows, the use of part-time strategies by employers may be penny-wise but pound-foolish. They can cut wage and benefit costs, but productivity is likely to drop. Thus, the use of involuntary part-time workers is likely to contribute to the low rates of productivity growth that the U.S. has experienced.

The Solution: More Full-Time UPS Jobs

UPS makes more than $1 billion in profits each year. The company can afford to create thousands of good full-time jobs. No part-time workers would have to be laid-off because of the higher turnover in part-time jobs and because so many part-time workers are already working full-time hours. The Teamsters Union has made contract proposals to:[12]

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[11] Tilly, 1990.

[12] The Teamsters have proposed a three-year contract with UPS.

- Convert many of the 10,000 part-time workers who already are working more than 35 hours per week to full-time status with full-time pay rates and full-time benefits.

- Create more full-time jobs in sorting facilities and combine many existing part-time jobs to create new full-time opportunities. By combining inside sorting jobs with outside delivery work, UPS can convert part-timers who are already doing combination package handling and driving jobs to full-time.

- Create more full-time jobs at its large air and ground hub operations that work almost around the clock. The cost to UPS would be the higher rate of pay and better benefits. However, reduced turnover, fewer accidents, and higher productivity would result. UPS could also dramatically lower its costs for recruitment and training.

- Stop subcontracting work, since doing more work in-house will create more full-time job opportunities. Subcontracting reduces job opportunities for package car drivers who want to become tractor trailer drivers and for part-timers who want full-time work.

- Increase pay rates, benefits, and job opportunities for part-timers in order to reduce turnover and increase productivity.

- Improve job safety and health protections to reduce turnover, including new equipment and procedures for the safe handling of heavy packages.

The Teamsters recognize that such changes will have some short-term costs for UPS. However, these costs represent an investment in the future that will have long-term payoffs for the company, its workers, and the larger community.

For UPS, the move to full-time jobs at full-time pay means lower turnover and higher productivity. If the increase in full-time jobs results in just a 25 percent reduction in turnover, UPS would reduce the number of part-time workers it recruits by nearly 50,000 workers per year. Although it is difficult to estimate recruitment costs, if we assume UPS spends only $1,000 per recruit, it stands to save $50 million per year on current recruitment costs. The more stable workforce will, in turn, lead to improvements in productivity, which has been declining.

Adopting the Teamster-proposed changes at a corporate powerhouse like UPS would mean a better future not just for UPS workers but for all working families.

More full-time jobs would benefit the larger community in several important ways:

- The economic and social improvement in the lives of the UPS workers and their families would spillover into the community at large.

- A more stable workforce would contribute to more stability in the communities where UPS is a major employer.

- By providing realistic career opportunities for more workers, UPS would truly begin to help recipients of public assistance get off welfare and into the workforce.

- The increased wages of part-timers upgraded to full-time status would multiply throughout the economy as the workers spend their increases and contribute to the state, local, and federal tax base to support schools and other vital public services.